

THE SMALL BUSINESS ADVOCATE

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California Firm Is ACE-Net's First Customer

The U.S. Small Business Administration's Office of Advocacy, in conjunction with the ACCELERATE Technology Small Business Development Center (SBDC) at the University of California, Irvine, has announced that Innovative Device Technologies Inc. (IDT) of Newport Beach, Calif., will be the first firm to offer its stock to accredited investors on the Angel Capital Electronic Network (ACE-Net). The company specializes in computer products that assist in efficiently surfing the Internet.

The ACCELERATE Technology SBDC is one of eight network operators that serve as national access

points for ACE-Net. Its founder and director, Tiffany Haugen, said, "This is the start of a new era of financial opportunities for early stage new technology businesses. IDT is an especially representative first investment opportunity as its Internet product, the Internet Surfpad, is very attractive to users of the Internet—including investors surfing for opportunities."

The Internet Surfpad is a handheld, business card-size Internet-specific controller device designed to improve Internet users' navigation speed, comfort, and on-screen viewing space.

Continued on page 5

Congress

New Bills Would Benefit Home-Based Businesses

Congress continues to address issues brought to their attention by the 1995 White House Conference on Small Business. The latest example is in the tax issue area, with Sen. Christopher Bond (R-Mo.), chairman of the Senate Small Business Committee, and Rep. James Talent (R-Mo.), chairman of the House Small Business Committee, introducing identical bills to address three of the conference's top recommendations.

The proposed Home Based Business Fairness Act of 1997 (S. 460; H.R. 1145) would change the tax treatment of health insurance premiums paid by sole proprietors, provide clarification of what consti-

tutes an "independent contractor," and redefine the home-office deduction by effectively repealing the Supreme Court's 1993 decision in *Commissioner of Internal Revenue v. Soliman*.

In explaining the need for the new legislation, Sen. Bond pointed out that "home-based entrepreneurs face many unique problems generated by a tax code that has not kept pace with today's reality."

The bill was unveiled in St. Louis, Mo., at the offices of Quick Tax Service, a small accounting firm based in the home of Roy and Edith Quick, delegates to the 1995 White House Conference.

Continued on page 3

Chief Counsel's "In Box"

Q: *My company—a computer, writing, and training services firm—makes regular use of freelance workers. Recently, we were subject to an audit by the Internal Revenue Service regarding the tax treatment of freelancers, and it seems that the IRS is now requiring us in the future to classify freelancers as employees. My company has been responding to this audit for about a year, and my concern is that the IRS has failed to issue clear guidelines on the classification of freelancers and that they are “targeting” businesses in certain areas. The IRS’s findings should be a call to small businesses everywhere. The creative arts are especially impacted by my situation, but the IRS’s ruling applies to all independent contractors. Please take the time to read the accompanying material and use your influence to assist small business people and the clients that use them. They deserve clear regulations [on the tax treatment of independent contractors] that preserve their right to do business—and within the law. Thank you on behalf of all supporters of the business community.*

A: Thank you for your recent message regarding the IRS and its audit of your company, which focused on worker classification. As you may recall, this was the top recommendation at the 1995 White House Conference on Small Business for just the reasons you mention.

Let me bring you up to date on a couple of things. The House and Senate are both considering bills which would clarify the law defining an “independent contractor” for tax purposes. The White House Conference’s regional taxation issue chairs have publicly supported those bills, which were introduced by Sen. Christopher Bond and Rep. James Talent (see related

This month:

The classification of independent contractors and IRS audits.



story in this issue of *The Small Business Advocate* on the Home-Based Business Fairness Act, beginning on page 1). The tax chairs felt that legislation is the only way to resolve the matter.

As you may know, Congress has prohibited the IRS for the past 20 years from writing clarifying regulations on worker classification. That has left the IRS to try and enforce the common-law rules which, as you are discovering, are complex and outdated. In an effort to explain the process, the IRS drafted and made public last year the training manual which it uses to train revenue agents on the worker classification issue, but this does little to clear up the matter for the average small business owner.

In the meantime, if you feel that the IRS in your area is unfairly targeting businesses such as yours, you can bring your concerns to the attention of Mr. Peter Barca, the SBA's Small Business and Agriculture Ombudsman. His office is charged to substantiate claims of

over-zealous agency enforcement and then bring those to the attention of Congress. You need to obtain an appraisal form from the Ombudsman's office (call 1-888-REG-FAIR [734-3247]) and send it in with a copy of your letter to have the office start its review process. (They will give you the address; the Ombudsman's office also has a Web site at <http://www.sbaonline.sba.gov/regfair>.) At the very least, if they agree with your assessment, they can alert Congress to your situation.

The IRS's training manual on the classification of independent contractors, *Independent*

Contractor or Employee?,

is available on the IRS's "Tax Information for Business" Web site at http://www.irs.ustreas.gov/prod/bus_info/index.html. A one-page description of a business' relief rights under section 530 of the tax code, publication 1976, is also available from the IRS—either from the Web site noted above, or from the IRS's toll-free forms and publication number, 1-800-829-3676.

Do You Have a Question?

Do you have a question for the Chief Counsel? Address letters to: "In Box," Chief Counsel for Advocacy, U.S. Small Business Administration, Mail Code 3114, 409 Third St., S.W., Washington, DC 20416.

For immediate access, call SBA On-Line at 1-800-697-4636 (9600 baud); in Washington, D.C., call (202) 401-9600.

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Home Business, from page 1

According to Edith Quick, one of the tax chairs of the conference, "The conference delegates and tax issue chairs have testified before Congress on all of these issues and have reviewed the proposed legislation line by line. These recommendations treated small businesses fairly and are based on common sense. We hope that swift action will be taken by Congress to adopt these three key recommendations."

Numerous hearings have been held on both bills, and to date the House bill has garnered 14 co-sponsors and the Senate version 21 co-sponsors.

Conference delegates and others interested in tracking the implementation progress of this and all of the conference recommendations are encouraged to visit the White House Conference's Web site at <http://www.whcsb.org>.

The Home-Based Business Fairness Act: What It Would Do

Here are some key provisions of the Home Based Business Fairness Act of 1997 (S. 460, H.R. 1145).

- **Health Insurance Deductions for the Self Employed.** Under current law, only 40 percent of a self-employed person's health insurance premiums may be deducted in 1997 (rising to 80 percent by 2006). The act would raise the deduction to 100 percent.
- **Home Office Deduction.** The act would restore a sensible definition for "principle place of business" so that, like any other business, a home-based business can deduct reasonable costs. Business would not need to be conducted on the premises.
- **Classification of Independent Contractors.** Clarification of the definition of an independent contractor was the top recommendation of the 1995 White House Conference. The bill would set a clear standard to provide safety to law-abiding small businesses while protecting the rights of legitimate employees.

Note: The text of the bill can be accessed at the Senate Small Business Committee's Web site at <http://www.senate.gov/~sbc/hist460.html>.

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is where you can find the online version of "The Small Business Advocate" on the Internet's World Wide Web.

Look here to find the full text of the current and previous editions.

<http://www.sbaonline.sba.gov/>

Estate Tax Law: Repeal or Reform?

by Russell Orban

What does existing estate tax law have in common with the weather? How about, everybody has something to say about it, but nobody can do anything about it. Or so it seems.

One of the most strongly supported recommendations of the 1995 White House Conference on Small Business (WHCSB) was recommendation 218: "Congress should repeal the federal estate, gift and generation-skipping tax laws." The recommendation made earlier appearances at the 1980 and 1986 White House Conferences, too.

During the 104th Congress, the House and Senate, and also the President, at different times proposed either repeal or relief measures to change existing estate tax laws. Unfortunately, the sides could not agree. There was no repeal, and relief provisions were left out of the Small Business Jobs Protection Act of 1996.

The WHCSB tax issue chairs, who were appointed from each region by the conference delegates, have made repeal or reform one of the central items on their action agenda for the 105th Congress.

Why is repeal of the estate tax so difficult? The problem is cost and

Estate taxes disproportionately affect small business owners. Here are the details on some changes being considered by Congress.

the national budget. Estate taxes currently bring in about \$12 billion per year to the U.S. Treasury. This sum is expected to increase over the next few years, reflecting the growing number of elderly persons with retirement portfolios. For Congress to consider any bill that would reduce taxes, it must first comply with the Budget Act, which requires Congress to explain how a tax reduction can be achieved without increasing the federal budget deficit for at least the next five years.

Assuming estate tax revenues of approximately \$12 billion per year, the five-year cost of repeal would be in the neighborhood of \$60 billion. In spite of this high price tag, at least eight proposals to repeal the

current procedures have been introduced in Congress, including the Family Heritage Preservation Act, introduced by Sen. Jon Kyl, (R-Ariz.) and Rep. Christopher Cox (D-Calif.), which drew some support in the 104th Congress.

Another option would be to reform the current legislation. Annually, only about 1 or 2 percent of estates are subject to estate tax.

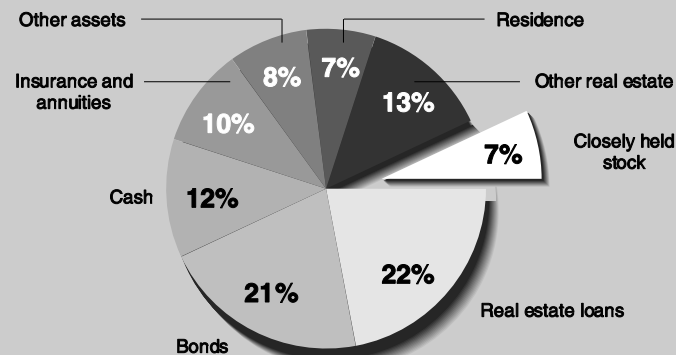
However, a disproportionate amount of small business owners and their heirs are affected by estate tax law in that they must spend time and resources on estate planning—or risk having the family business that was built up over a lifetime dismantled. A number of proposals from the 104th and 105th Congress that are currently being reviewed would provide targeted relief to small business owners and farmers, allowing more of the estate to escape taxation as long as it continues as a family business.

Under some of these proposals, the amount that can be excluded from estate tax if the estate is predominantly the family business would be increased. Under other proposals, the tax rate itself would be lowered. Most reform proposals tie the

Continued on next page

What Makes Up an Estate . . .

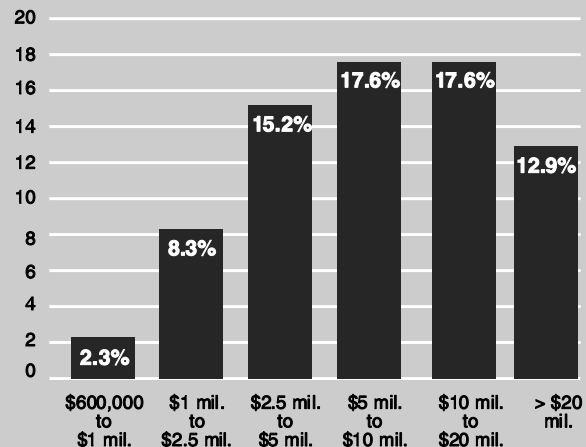
Types of assets in gross estates, from 1995 tax returns



Source: Internal Revenue Service.

. . . and Its Tax Rate

Effective estate tax rate, by size of gross estate, 1995



Estate Tax, from page 4

tax reduction to the continued operation of the business as a family-owned business.

In addition, the President's 1997 and 1998 budget proposals increase from \$1 million to \$2.5 million the value of closely held businesses eligible for installment payments of estate taxes. The interest rate charged for the installments would be lowered from 4 percent to 2 percent. The idea is to help the businesses make their payments and solve the cash flow problem that

could have forced a sale.

As part of the 1998 budget agreement now being debated, the President and Congress have agreed to move forward on some kind of reform proposal.

So, like the weather, plenty of folks complain about estate tax. The forecast? Continued cloudy, chance of repeal or reform.

Russell Orban is the Office of Advocacy's policy advocate for tax policy.

ACE-Net, from page 1

The Office of Advocacy developed ACE-Net as a nationwide Internet network that will open up new options for small companies looking for investors while helping investors look for promising opportunities. The network was developed in consultation with the U.S. Securities and Exchange Commission, state securities regulators, and the North American Securities Administrators' Association (NASAA).

"This marks an important point in the growth of ACE-Net," said Chief Counsel for Advocacy Jere W. Glover. "The Angel Capital Electronic Network will show itself to be an invaluable source for the small business community. Using the Internet in this manner helps entrepreneurs and investors to work together as if they were located next door to each other. The problem for small businesses seeking investors has been where to find them. Well—no more."

Essentially, ACE-Net allows accredited "angel" investors—that is, wealthy individual investors with business savvy willing to provide small businesses with both their capital and their experience—to identify participating entrepreneurs.

For a long time there has been a demonstrated need for access to seed and startup capital for small businesses in the \$250,000 to \$5 million range, and ACE-Net is

designed to bridge that gap. (See stories in the November/December 1996 issue of *The Small Business Advocate*.)

All offerings listed on ACE-Net will be searchable via an on-line search engine that will permit angel investors to quickly find the type of company, technology/market, investment size, geographic location, and ownership status (gender, ethnicity, etc.) of the company's owners. ACE-Net permits the angels to place specific search criteria on the network, and it will respond via e-mail whenever a company is listed that meets their criteria.

For More Information

Angel investors or entrepreneurs interested in ACE-Net subscriptions can contact network members via the Internet. Details are provided on the World Wide Web at <http://www.sba.gov> and at <https://ace-net.unh.edu>. For more information, contact Brendan McKeon at the Office of Advocacy at (202) 205-7749.

Regulatory Agencies

Regulatory Burden on Small Businesses Detailed in New Report

The latest edition of the Office of Advocacy's annual report on the Regulatory Flexibility Act has just been issued, and it finds that legislation recently enacted by Congress goes a long way to help lighten the regulatory burden imposed on small businesses by federal agencies, but that there is still an ongoing need for improvement.

The report, the *Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act*, examines how federal agencies complied during calendar year 1996 with the Regulatory Flexibility Act of 1980 and its amending legislation, the Small Business Regulatory Enforcement Fairness Act of 1996. The laws require federal agencies to evaluate the impact their regulations will have on small businesses before they are issued, and to consider less burdensome alternatives.

In putting together the report, the

Federal agencies still have room for improvement when it comes to meeting the mandates of the Regulatory Flexibility Act, says a new report.

Office of Advocacy reviewed some 2,500 proposed, interim, and final rules issued by dozens of federal regulatory agencies. The Office subsequently submitted 92 formal regulatory comments to federal agencies on regulations that would have affected many types of small businesses.

The report found agency compliance to vary. "Many federal agencies appear to be making good-faith efforts to comply with the law as it was strengthened in 1996," said

Chief Counsel for Advocacy Jere W. Glover, "but integration of regulatory flexibility analyses into agency decision-making processes is far from complete. There is still a need for ongoing education and interaction with agencies in order to ensure full compliance."

Copies of the *Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act, Calendar Year 1996* are available for purchase from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161. The cost is \$21.50 for a paper copy; \$10.00 for microfiche, plus shipping and handling. Orders charged to a credit card may be placed by calling (703) 487-4650 between 8:30 a.m. and 5:00 p.m. Eastern time. Ask for publication number PB97-152557. The report may also be viewed on the Office of Advocacy's Web site at <http://www.sba.gov/ADVO/laws>.

EPA to Host Conference

The U.S. Environmental Protection Agency, in conjunction the Office of the Federal Environmental Executive and the U.S. Conference of Mayors, will be hosting a conference in July, entitled "Partnership for the 21st Century: Greening Federal Purchasing." The conference will be held July 16 and 17, 1997, at the Sheraton Inner Harbor Hotel in Baltimore, Md.

The conference's objective is to increase and maintain a market for environmentally preferable commercial products in the federal government.

Environmentally Preferable Purchasing (EPP) promotes the federal government's use of products and services that have reduced impacts on human health and the environment. Such purchases are required

by an Executive Order issued by President Clinton on October 20, 1993 (E.O. 12873, "Federal Acquisition, Recycling, and Waste Prevention"). The Executive Order also directs the EPA to develop guidance and to assist federal agencies with incorporating environmental preferability into their purchasing procedures.

The goal of this symposium to facilitate making environmental performance a factor in federal government purchasing decisions, along with performance and cost.

The conference will be useful to federal officials who wish to increase their purchase and use of products with environmentally preferable attributes, such as federal facility and installation managers; federal acquisition and procure-

ment policy managers and personnel; operations and maintenance managers; and environmental health and safety managers. Companies that manufacture environmentally preferable products—including product manufacturers, suppliers, and designers—will also want to take advantage of this learning opportunity.

The cost of the conference is \$50 per attendee. Registration is through the U.S. Conference of Mayors, 1620 I Street N.W., Suite 600, Washington, DC 20006; fax (202) 429-0422.

For further information about the conference, contact John Shoaff at the EPA at (202) 260-1831, or Richard Kochan, U.S. Conference of Mayors, at (202) 822-9058.

Regulatory Panels Meet; Ombudsman Unveils Web Page

The 10 regional regulatory fairness boards—established in the spring of 1996 when President Clinton signed into law the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996—met with members of Congress and other federal officials in Washington during the week of Feb. 13.

The boards are charged with helping the nation's small business community influence federal regulatory enforcement practices. Each of the 10 regional boards consists of five small business persons who will review complaints and concerns about regulatory enforcement actions. They were chosen from a nomination pool of more than 500 owners, managers, operators, and officers of small businesses.

During their Washington meeting, board members met with officials of the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), and the Internal Revenue Service (IRS). According to Peter W. Barca, national small business and agriculture ombudsman and regional administrator in SBA Region V, "the first step was to familiarize the board's membership with the regulatory enforcement policies of the three key agencies. Then, when these members convene area meetings in their respective regions,

they'll be prepared to evaluate more accurately the concerns raised by small business owners and their employees."

Both Sen. Christopher Bond (R-Mo.), the chairman of the Senate Small Business Committee, and his counterpart for the House committee, Rep. James Talent (R-Mo.) met with the group to explain the importance of the panel's mission and the need to provide small business owners a more direct role in achieving regulatory fairness.

Information about the newly established regulatory fairness boards and the Office of the Ombudsman—both established under the SBREFA in 1996—can now be found on the Internet's World Wide Web at a newly unveiled site at <http://www.sba.gov/regfair>. The site contains information about the Office of the Ombudsman and the text of the law that established the office.

In addition to the Web page, the Ombudsman's office has also established a toll-free telephone number with Fax-Back capability at 1-888-REGFAIR (734-3247).

Regional board meetings have already been scheduled for May 28 in Denver, Colo., and June 20 in San Francisco, Calif. For information on the remaining eight regional meetings, contact the Ombudsman's office.

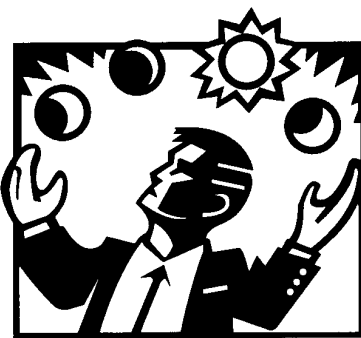
About the Ombudsman and the Regulatory Fairness Boards

The Small Business Regulatory Enforcement Fairness Act of 1996 directed the SBA to appoint a small business and agriculture ombudsman and 10 regional "regulatory fairness boards."

The boards are to review complaints and concerns of small businesses about enforcement actions by federal agencies. The ombudsman's and the boards' main objective is to determine the effectiveness and fairness of enforcement

actions at the end of the regulatory process.

This role is distinct from that played by the SBA's chief counsel for advocacy: the Office of Advocacy works at the very earliest stages in regulation development, by urging agencies to fully evaluate the economic impact of rules on small businesses and to develop flexible alternatives long before enforcement begins.



Juggling Your Small Business Priorities?

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Free, confidential counseling from professional members of SCORE, a nonprofit association dedicated to mentoring and training small business entrepreneurs. Whether you want to start a business, or need a hand with your existing enterprise, SCORE's free small business counseling can help. Founded in 1964, SCORE has assisted more than 3.5 million entrepreneurs. Call for your nearest chapter today!

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QUESTIONS?



ANSWERS:

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The Small Business Answer Desk

Research and Publications

Study Looks at Finance Companies' Expanding Role as Small Business Lenders

Although little information is available about finance companies' lending to small business in the United States, there does exist a popular notion that finance companies are the "pawn shops of the financial services industry"—insignificant and isolated participants in the financial services market, attracting primarily high risk borrowers and charging these borrowers relatively high loan prices.

A recently issued study sponsored by the Office of Advocacy, *Finance Companies and Small Business Borrowers*, by Dr. George W. Haynes of Montana State University, explores the "pawn shop" myth, profiling finance company borrowers, examining their demands for financial services and assessing whether they pay higher loan prices than borrowers of bank loans.

Finance companies encompass a broad range of lenders, extending from companies such as General Motors Acceptance Corporation (GMAC) to those owned by individ-

A recent study challenges the notion that finance companies are the "pawn shops" of the financial services industry.

uals. The industry has evolved as a significant participant in the financial capital market over the past couple of decades. Finance companies increased their total business lending from just under \$86 billion in 1980 to nearly \$300 billion in 1992.

In the study, finance companies are separated into two groups, "captive" and "non-captive." Captive finance companies, such as GMAC, use the financial strength of their parent company to raise low-cost capital, and their product knowledge to efficiently resell assets ac-

quired in loan defaults, hence decreasing their total cost of capital. Non-captive finance companies supply finance products marketed by other companies, and typically have no comparative advantage in raising capital or disposing of products acquired in a loan default. Non-captive finance firms depend on offering other financial services (such as consulting, sales financing, and accounts receivable factoring) to survive.

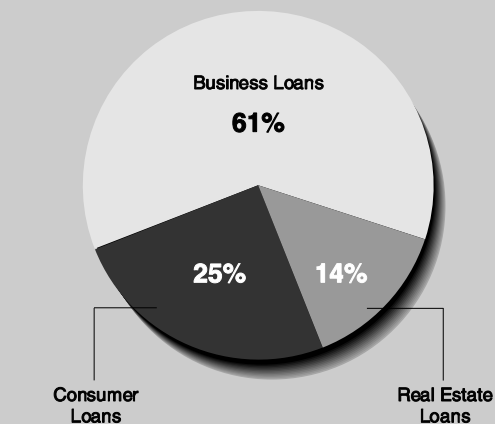
The results of the study portray both captive and non-captive finance companies as mainstream lenders, attracting a mix of borrowers similar to other lenders and charging these borrowers competitive loan prices. Highlights of the study include:

- Borrowers who acquire leases or loans from finance companies are typically larger small businesses with some previous lending experience with a commercial bank.

- Finance companies are significant
- Continued on page 11*

Finance Companies: Active Business Lenders . . .

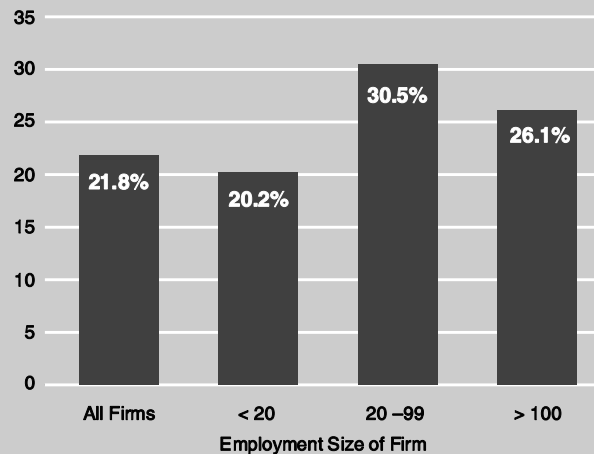
Loan portfolio held by finance companies, fourth quarter 1995



Source: Federal Reserve.

. . . and a Significant Resource for Business Borrowers

Percent of business borrowers reporting using a finance company, by size of business



Source: 1988 National Survey of Small Business Finances.

Economic Outlook

Small Firms Remained the Dominant Job Creators in 1996

Small firms continued to create more than their share of new jobs in 1996, according to recently released data.

The U.S. economy generated 2.44 million non-farm, private-sector jobs during 1996 (December 1995 to December 1996), an increase of 2.5 percent. According to the Office of Advocacy's analysis of data from the U.S. Department of Labor, small-firm-dominated sectors—that is, industries with at least 60 percent of employment in firms with fewer than 500 employees—created 64 percent of those jobs. The remaining job growth was evenly split between industries dominated by large firms, and those not dominated by either category.

The small-business-dominated sector expanded 3.3 percent during 1996, while the large-firm-dominated sector grew 1.3 percent; indeterminate sectors expanded 2.4 percent during 1996.

During 1996, the narrowly defined service sector continued to contribute the most new jobs—about 46 percent overall. Retail trade contributed about 28 percent of the new positions (around 650,000 new jobs), while the construction sector also showed healthy gains, adding almost 300,000 new jobs during the year. Smaller gains of about 160,000 new jobs were recorded in the finance, insurance, and real estate sector and the wholesale trade sector, while the transportation, communication, and public utilities sector gained 90,000 jobs.

As in 1995, the manufacturing sector continued to shed jobs: there was a net loss of 100,000 manufacturing jobs in 1996, with almost 90,000 of these losses coming from large-firm-dominated industries.

Job growth within the small business sector was more evenly spread among the industrial sectors. The

Job Growth in 1996:

Three small-business industries generating the most new jobs in 1996

■ Construction trade contractors:	230,600 jobs
■ Eating and drinking places:	115,000 jobs
■ Engineering, accounting, and research services:	74,800 jobs

Three fastest growing small-business industries in 1996

■ Miscellaneous retail establishments:	+ 24.6%
■ Transportation services:	+ 13.3%
■ Meat markets and freezer provisioners:	+ 12.9%

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from data published by the Bureau of Labor Statistics.

services sector contributed 570,000 (34 percent) of the 1.5 million new jobs. Almost 430,000 (28 percent) new jobs came from small-firm-dominated industries in retail trade, with restaurants, car dealerships, and home furnishing stores supplying about half the new jobs within retail trade. Construction contributed almost 20 percent of the job growth total.

Within the large-firm-dominated sectors, only the services sector continued to create large numbers of jobs, particularly temporary employment agencies and hospitals. About 20 percent of new retail trade jobs came from large-firm-dominated sectors in 1996, and many of these new jobs were in department stores.

Employment in sectors dominated by neither small or large firms—the so-called “indeterminate” industries—has grown in recent years. Virtually all of the new jobs created in indeterminate sectors were in the services sector—particularly in the computer industry, in hotels and motels, and in selected parts of the business service sector. The nursing home sector—which used to be small-business-dominated, but is now classed as indeterminate—added almost 35,000 jobs during 1996.

Another way to examine job creation by small-firm-dominated sectors is to look at the industries that are growing the fastest (see table). During 1996, the category “miscellaneous retail establishments” posted the fastest growth in the nation, increasing 24.6 percent.

The “transportation services” category had the second fastest employment growth within this category in 1996, increasing 13.3 percent. Included in the category are travel agents, taxi services, charter bus services, and transportation providers for the physically challenged.

Double-digit rates of growth in small-firm-dominated sectors were also recorded for retail meat markets, masonry construction building supply stores, and furniture stores.

For further data on small business and job creation in small business, consult the statistics section of the Office of Advocacy's Web page at www.sba.gov/ADVO/stats. Click on the *Small Business Answer Card*. Questions of a technical nature may be addressed to Brian Headd in Advocacy's Office of Economic Research at (202) 205-6953, or via e-mail at brian.headd@sba.gov.

News Briefs

Advocates of the Year, Special Award Winners Named

Winners of the 1997 Small Business Advocates of the Year awards have been announced by the SBA's Office of Advocacy. The winners were selected for their outstanding efforts to improve the small business climate in specific categories: accounting, financial services, media, minority-owned business, veterans, and women-owned business.

The 1997 winners are: Accountant Advocate Fern H. Shubert, of Marshville, N.C.; Financial Services Advocate Janice L. Campbell, Denver, Colo.; Thomas G. Thoms, Dayton, Ohio; Minority Small Business Advocate William H. McCullough, Charlotte, N.C.; Veteran Small Business Advocate Andrew A. Hernandez, San Bernardino, Calif.; and Women in Business Advocate Sally Slacke, Kings Park, N.Y.

Three special award winners were also announced: Small Business Exporter of the Year James R. Dartez, of New Orleans, La.;

Small business advocates of the year for 1997 will be honored on June 3rd at a special luncheon on Capitol Hill during Small Business Week celebrations.

Young Entrepreneur of the Year Tyler J. Conrad, Minneapolis, Minn.; and Entrepreneurial Success Award Winner Constantine S. Macricostis, for Photronics, Inc., Brookfield, Conn. The recipients of the special awards were selected for their commitment to fostering small business success, community involvement, and business accomplishments.

Also to be recognized for exceptional small business advocacy contributions are Milton D. Stewart,

who will be presented with a Lifetime Small Business Advocacy Award, and Ira Nordlecht and Helen Scott, who will each receive awards for their generous *pro bono* legal work on behalf of small business.

All the award winners, including the Small Business Persons of the Year from all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands will be honored during the National Small Business Week celebration, June 1-7, in Washington, D.C. A national Small Business Person of the Year will be selected from among the state award winners during the celebration in the nation's capital.

National Small Business Week is held each year, by proclamation of the President, in recognition of the small business community's contributions to the American economy and society.

SCORE Reaches Milestone: 3.5 Million Clients Served

The Service Corps of Retired Executives (SCORE) has just celebrated serving its 3.5 millionth client.

More than 12,000 SCORE volunteers provide individual counseling and business workshops for aspiring entrepreneurs and small business owners. According to SCORE President Fred Thomas, "Savvy entrepreneurs utilize every available resource to help them succeed in business. SCORE affords these entrepreneurs the opportunity to learn from the experience and real-world knowledge of some of the nation's most outstanding examples of business success. Today, more people are opening businesses and more entrepreneurs are seeking

guidance. We are proud and pleased to mentor them in their pursuit of the American dream."

SCORE was formed in 1964 as a non-profit association dedicated to entrepreneur education and the formation, growth, and success of small business nationwide. SCORE counselors are located at SBA field offices, business information centers, and some of the SBA's small business development centers.

During the first three months of fiscal year 1997, SCORE counseling increased 12 percent. Currently, 50 percent of SCORE clients are start-up businesses and 50 percent are growing companies.

SCORE counseling is offered to

entrepreneurs at no charge. The volunteers who offer their business expertise are working and retired small business owners and corporate executives. In addition to counseling, SCORE provides about 4,000 workshops each year for nearly 100,000 entrepreneurs. Workshops are organized by local chapters, which charge a small fee for the training sessions.

For more information on SCORE, or to locate the SCORE chapter nearest you, call Christine Goodno at 1-800-634-0245 or (202) 205-7630.

Welfare to Work: SBA Leads the Way

In his radio address to the nation on March 8, 1997, President Clinton directed all federal agencies to begin preparing plans for moving welfare recipients into the federal government work force. After identifying entry-level positions that could be made available to welfare recipients, the SBA has committed to hiring 120 welfare recipients over the next four years for clerical and office support positions. All 10 SBA regions will participate.

The SBA is also assuming a leadership role in the President's Welfare-to-Work Jobs Initiative. The nation's small businesses employ

54 percent of the work force and are the source of nearly 75 percent of all new jobs created. Betsy Myers, former director of the White House Office for Women's Initiatives and Outreach, will be spearheading the agency's efforts, which will include researching what small businesses will require in order to participate effectively in this initiative and identifying intermediaries who will work to help welfare recipients become job ready and who will be successful in placing hard-to-employ workers into successful job settings.

Finance Cos., from page 8

cant lenders in the financial market for small businesses, especially as vehicle and equipment lenders. Captive finance companies supply 3.9 percent of all lease funds and 4.8 percent of all loan funds to small businesses. Non-captive finance companies supply 11.5 percent of all lease funds and 3.9 percent of all loan funds.

- When considering all institutional sources of capital, finance companies rank as the third most important source of financial capital, following commercial banks and thrifts.

- Finance companies are not the "pawn shops" of the financial services industry. They charge lower prices in the vehicle loan market than other lenders. In other loan and lease markets, finance companies were shown to offer competitive prices, based on the risk of the borrower and the transactions costs associated with initiating and monitoring each type of loan.

- When comparing captive and non-captive finance companies, captive finance companies have a higher probability of attracting borrowers in high concentration financial markets. However, when considering all finance companies as a group, they have a higher probability of attracting low risk borrowers

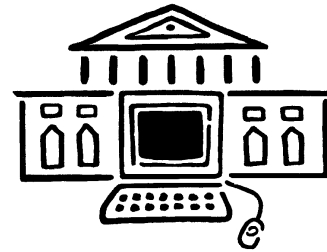
who reside in low financial concentration markets than any other group of borrowers.

In addition to this report, based on data from the 1987 National Survey of Small Business Finances, readers may want to look at some updated numbers that were recently published by the Federal Reserve. In "Business and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances," (*Federal Reserve Bulletin*, November 1996), authors Rebel A. Cole, John D. Wolken, and R. Louise Woodburn analyze competition between banks and non-banks in the U.S. market for small business credit.

How to Get the Report

Copies of *Finance Companies and Small Business Borrowers* are available for purchase from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; telephone (703) 487-4650; TDD: (703) 487-4639. Ask for item number PB96-146485.

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